



JERRY SANDERS
MAYOR

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SAN DIEGO
COUNTY GRAND JURY

September 28, 2010

Honorable Kevin A. Enright
Presiding Judge
San Diego County Superior Court
Hall of Justice
330 West Broadway, Suite 477
San Diego, CA 92101-3830

Subject: 2009/2010 Grand Jury Report entitled "Qualcomm Stadium"

Dear Judge Enright:

Pursuant to California Penal Code Section 933.05(a), (b) and (c), the City of San Diego provides the following responses to the findings and recommendations in the above entitled Grand Jury Report:

FINDINGS

Finding #01: Qualcomm Stadium has a seating capacity of about 70,500 and a remaining obligation of about \$52 million on the 1997 Renovation Bonds.

Agree.

Finding #02: Regular net rent received by the City from the Chargers after deducting the ADA payments and rent credits, is less than \$1 million per season.

Agree. The stadium averages approximately \$700,000 in rent from the Chargers per season.

Finding #03: The City's direct operating losses on Qualcomm Stadium after crediting net rents paid by the Chargers, and excluding efforts by the City to mitigate the shortfall with other events, are at least \$17.1 million for 2010.

Partially Disagree. Using the methodology stated in this finding, \$17.1 million is accurate. However, the City considers total revenue less total expenses to determine the direct operating loss. Using the City's methodology yields a loss of \$11.7 million which is subsidized and covered by City Transient Occupancy Tax (TOT) revenues.

Finding #04: The City partially reduces the deficit with other events and subsidizes the balance with City Transient Occupancy Tax (TOT) revenues of \$11.8 million in 2010.

Agree.

Finding #05: The Tampa Bay Buccaneers pay the Tampa Sports Authority fixed rent of \$3.5 million per season, a minimum of \$3.5 million on account of premiums from the sale of Club Seats and a ticket surcharge of \$2.50 per ticket, all with no rent credits, for a total of at least \$8.1 million.

Partially Disagree. While the City does not dispute the accuracy of the Grand Jury's research, it cannot confirm this information.

Finding #06: San Diego taxpayers oppose the use of public monies for the construction of a new Charger stadium.

Partially Disagree. This statement may or may not be true. The City cannot contradict or affirm this statement without empirical data. In the absence of specific research, this claim is not verifiable.

Finding #07: The Chargers are proposing to invest about \$200 million to build a 62,000 seat stadium at a cost of \$800 million, with the balance of about \$600 million to come from tax increment bonds to be paid from property, sales and Transient Occupancy Taxes.

Partially Disagree. The City has not received nor offered to the Chargers any such proposal.

Finding #08: The \$800 million estimate may be significantly increased by the addition of a retractable roof.

Partially Disagree. The City cannot estimate the potential cost impacts of the inclusion of a retractable roof.

Finding #09: The \$52 million balance due on the 1997 stadium Renovation Bonds must be dealt with if a new Chargers stadium is built.

Partially Disagree. It is unclear what is meant by "must be dealt with." However, the City agrees that retirement of the remaining bonds must be discussed in any negotiation of a new stadium plan when and if negotiations for a new stadium proceed.

Finding #10: There is almost no evidence that professional sports franchises and facilities have a positive impact on real per capita income or employment, and may have a negative affect.

Disagree. Each large scale event employs 600-800 part time employees for Food and Beverage service alone. Another 1200 are employed part time as ushers, and security personnel, etc, for a total of approximately 2000 part time jobs. Sales tax is generated from the sale of food, drink and merchandise. Academic studies have shown the economic costs and benefits of professional sports teams and facilities and this finding does not acknowledge research and opinions representing contrary viewpoints.

Finding #11: If public financing is the source of funding for a new Charger stadium, the City should demand a lease with terms that will protect the City such as a long-term lease with fixed rents and no credits, no risk of cost overruns, and City use of the stadium for other public events.

Partially Disagree. The City agrees protections for the taxpayer should be pursued in any negotiation with the Chargers for a new stadium, when and if negotiations for a new stadium proceeds.

RECOMMENDATIONS

Recommendation 10-44: Study independent economic analyses of a proposed new stadium so as to accurately project per capita income and employment data for the construction and operation of a new downtown Chargers stadium.

This recommendation requires further analysis. Any study of economic impacts of a proposed stadium will require a proposal to be defined to a level of specificity that does not exist at this time. An analysis will be conducted if and when a new stadium is proposed and under consideration.

Recommendation 10-45: If a new downtown stadium for the Chargers is to be built, negotiate a favorable resolution of the \$52 million balance remaining on the 1997 stadium Renovation Bonds.

This recommendation requires further analysis. The City agrees that retirement of the remaining bonds must be discussed in any negotiation of a new stadium plan when and if negotiations for a new stadium proceed. An analysis will be conducted if and when a new stadium is proposed and under consideration.

Recommendation 10-46: If public financing is to be employed for the construction of a new downtown stadium for the Chargers, demand a lease with terms that will protect the City such as a long-term lease with fixed rent sufficient to cover any public indebtedness incurred by the City or the City of San Diego Redevelopment Agency, with no credits, no

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risk of cost overruns and control of the use of the stadium for other City and City contracted events.

Response: This recommendation requires further analysis. The City agrees protections for the taxpayer will be pursued in any negotiation with the Chargers for a new stadium, when and if negotiations for a new stadium proceeds.

Please contact Jim Barrett, Real Estate Assets Department Director at 619-236-6145, if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'JS' with a stylized flourish extending to the right.

JERRY SANDERS
Mayor

cc: San Diego County Grand Jury
Chief Operating Officer
City Clerk
Independent Budget Analyst
Department Director
Administration Department Director